

EXHIBIT 2

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Lehman Moved Cash Fast

Some \$8 Billion Went From London Before Bankruptcy

By CARRICK MÖLLENKAMP and JEFFREY MCCracken

Clients and accountants are probing how Lehman Brothers Holdings Inc. moved billions of dollars from its London operations to New York just ahead of its bankruptcy filing this past week.

At issue: whether transferring \$8 billion to New York was an effort to shore up the unit there so it could be sold at the expense of the London office, a person familiar with the matter said.

On Friday, in federal bankruptcy court in New York, Lehman sought approval to sell off much of its North American operations to Barclays PLC of the United Kingdom.

The money transfer to New York is raising questions about the speed and haste of Lehman's efforts to file for bankruptcy and complete a sale to Barclays.

Lawyers for Lehman argued in court Friday there was no time to wait for the bankruptcy filing.

They argued that the firm's broker-dealer customers and its employees, mostly in its investment bank, are in danger of disappearing with each passing day.

Lehman's holding company filed for Chapter 11 bankruptcy protection on Monday, but the firm's U.S. broker-dealer stayed in business long enough for Barclays to arrange the purchase of assets including Lehman's brand name, technology, 10,000 employees, midtown Manhattan offices and two New Jersey sites.

As the largest bankruptcy filing in U.S. history, the Lehman case is marked by an unusual rush and lack of public disclosure about what specifically was being sold to Barclays. Lawyers representing the Federal Reserve, Treasury Department, Securities and Exchange Commission and U.S. Trustee's office all stood up in court to urge the judge to authorize the sale, arguing the global financial markets would be harmed by a delay.

On Friday, angry creditors pushed and shoved to get into Judge James M. Peck's court. On several occasions a security guard yelled at the crowd. Harvey Miller, lead counsel for Lehman on the bankruptcy filing, needed someone to clear a path for him to get in the room and to the front of the court.

Lehman sought court approval for the sale to Barclays, despite objections raised in court documents by companies such as Verizon Communications Inc., Occidental Energy Marketing Inc. and hedge-fund firm Harbinger Capital Partners. One creditor made a motion to the court pleading for a delay. "Here there has been hardly a moment to breathe," the court filing said.

Terms of Sale

On Friday, there were a number of changes to the terms of the sale to Barclays. The originally agreed total sale price of \$1.75 billion could be lowered by \$100 million to \$200 million. The British bank will take on \$47.4 billion in assets and \$45.5 billion in liabilities, instead of \$72 billion in assets and \$68 billion in liabilities. The drop in the assets reflects the decline in the value of Lehman securities during the past week.

The purchase price was lowered because of lower appraisals of real estate in New Jersey. Barclays will get a license on Lehman's name for two years, instead of permanently. Barclays will now keep any profits from the sale of any assets; previously, Barclays was to give Lehman's estate the first \$500 million in any profits and split the profits on the next \$500 million in sales.

Meanwhile, PricewaterhouseCoopers LLP, the insolvency administrator for Lehman's London-based units, sent a letter recently to Lehman in the U.S. requesting that \$8 billion be paid back, a person familiar with the matter said. PricewaterhouseCoopers has said it is reviewing all transactions.

Lehman's lawyers said at Friday's hearing that Barclays also has agreed to purchase Lehman's private-investment-management business, a brokerage unit within the firm's asset-management arm. Private-equity firms Bain Capital LLC and Hellman & Friedman LLC are expected to reach an agreement in the coming days to acquire other parts of Lehman's asset-management business, including money manager Neuberger Berman.

A New York investment fund and Lehman client, Amber Capital Investment Management, made a filing Friday afternoon raising concerns that some \$8 billion was "misappropriated" from Lehman Brothers International (Europe) to Lehman in the U.S. just before the filing. Amber asked the judge to set aside the proceeds from the Barclays sale while the \$8 billion transfer is investigated.

Cash Sweep

According to PricewaterhouseCoopers and Lehman executives, monies residing in Lehman units based in Europe or Asia typically were swept up each day and transferred to Lehman's group treasury in New York. The money was later dispatched back out to the units. Spokesmen for Barclays and Lehman declined to comment.

Tony Lomas, a PricewaterhouseCoopers partner working on the Lehman insolvency in London, said this past week during a London news conference, "Every subsidiary, here and elsewhere in the world, was dependent upon the flow of cash back from New York each morning to meet its obligations."

But when Mr. Lomas arrived at Lehman in a skyscraper in London's Canary Wharf on Monday, "Quite bluntly, there was no cash," he said Monday. Employees' paychecks have been delayed, vending machines are running dry, and many of the firm's London employees are looking for new jobs. The London office took out a loan to pay employees, a person familiar with the matter said.

"Any time you are on the eve of bankruptcy and have big transfer of money like that, it will be the subject of review or some sort of investigation," said Don Workman, head of the bankruptcy and restructuring practice at the law firm of Baker Hostetler in Washington, D.C., whose firm is following the case for clients who did derivatives trading with Lehman. "The British may say, 'That's our \$8 billion.'"

—Peter Lattman contributed to this article.

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